News Release

Embargoed until 0730 ICT (0030 UTC) 1 June 2023

S&P Global Thailand Manufacturing PMI™

Higher new orders sustain strong manufacturing sector expansion in Thailand

Key findings

Demand continues to rise at among fastest rates on record

Backlogs accumulate for the first time since late 2021

Price pressures abate as supply constraints ease

Business conditions in the Thai manufacturing sector continued to improve midway into the second quarter, according to the latest PMI™ data. Higher demand ensured that production growth remained strong in May and led to further backlog accumulation. Consequently, firms increased their workforce capacity. They also raised their buying activity and inventory holdings to buffer against stock shortages.

Improvements in supply chain conditions also supported the latest rise in production, further leading to declines in both input cost and output price inflation. However, overall business confidence in the Thai manufacturing sector fell to a 15-month low in May.

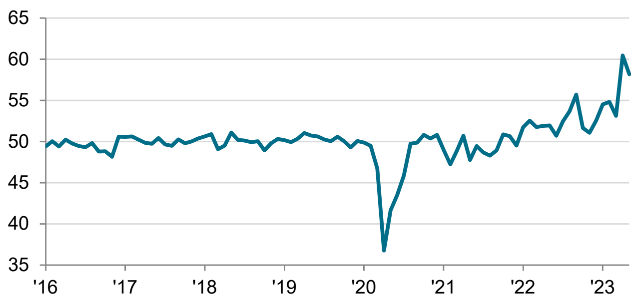
The headline S&P Global Thailand Manufacturing PMI is a composite single-figure indicator of manufacturing performance. It is derived from indicators for new orders, output, employment, suppliers' delivery times and stocks of purchases. The PMI declined from April's survey record of 60.4 to 58.2 in May. Sustaining well above the 50.0 no-change mark, the PMI continued to indicate strong manufacturing sector expansion. Moreover, May's reading marked the seventeenth straight month of growth.

Underpinning the latest expansion was a marked improvement in demand conditions. Incoming new orders for Thai manufactured goods rose at the second fastest pace in the survey history, just behind April's record. Higher client buying interests coupled with a widening of the customer base led to a rise in new orders. Foreign demand likewise improved, expanding at the quickest pace since July 2021.

As a result of demand growth, manufacturers in Thailand raised their production levels with output similarly growing at the second fastest rate in the survey history. The rapid increase in new orders further led to a spill-over into backlogged work, which rose for the first time since December 2021.

S&P Global Thailand Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global.
Data were collected 12-22 May 2023.

Comment

Jingyi Pan, Economics Associate Director at S&P Global Market Intelligence, said:

"May's S&P Global Thailand Manufacturing PMI continued to reflect strength in the manufacturing sector in May, even though the rate of growth slowed midway into the second quarter. Demand, including from foreign clients, remained robust, which supported the sector's growth. Furthermore, supply constraints continued to ease, helping cost pressures to subside for Thai manufacturers.

"That said, business confidence fell sharply in May amid lingering concerns over the economic and political outlook according to panellists."

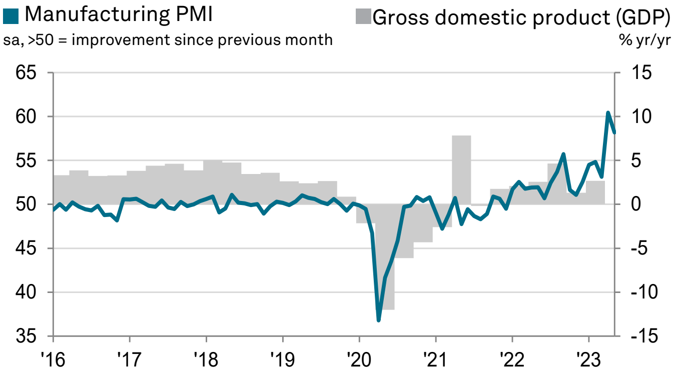
PMI™ by S&P Global

In response to higher demand and production, Thai manufacturers lifted their purchasing levels at a solid pace, resulting in further accumulation of input inventories. Additionally, the average level of finished goods holdings also rose in tandem as firms were keen to buffer against potential stock shortages at a time of rising sales.

While staffing levels increased for a second straight month in May in line with higher new orders, the rate of growth remained marginal. Anecdotal evidence suggested firms faced difficulties in acquiring skilled labour.

Meanwhile price pressures eased as supply constraints continued to subside. While input costs climbed again due to higher raw material and shipping fees, the rate of inflation fell markedly to the lowest since August 2021. In turn, Thai manufacturers raised their charges at the slowest pace in 19 months, though inflation remained well above the long-run average.

Overall sentiment in the Thai manufacturing sector stayed positive for the twenty-first month running in May. That said, the level of business confidence fell markedly from May on the back of lingering concerns from high inflation and general uncertainty over the broader macroeconomic environment.



Sources: S&P Global, NESDB.

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Survey methodology

The S&P Global Thailand Manufacturing PMI™ is compiled by S&P Global from responses to questionnaires sent to purchasing managers in a panel of around 400 manufacturers. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. Data collection began in December 2015.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers' Index™ (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

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We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today.

About PMI

Purchasing Managers' Index™ (PMI™) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. ihsmarkit.com/products/pmi.html.

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